
Tobin & Co.

Peninsula Community Library

Grand Traverse County, Michigan

Audit Report

For the Year Ended June 30, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Peninsula Community Library	County Grand Traverse
Fiscal Year End 6/30/07	Opinion Date 11/28/07	Date Audit Report Submitted to State 12/19/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

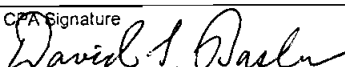
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Tobin & Co., P.C.		Telephone Number 231 947-0151	
Street Address 400 E. Eighth St.		City Traverse City	State MI
		Zip 49686	
Authorizing CPA Signature 	Printed Name DAVID L. BASLER	License Number 1101013418	

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INTRODUCTORY SECTION

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Comments and Recommendations

We have examined the basic financial statements and the individual fund financial statements of Peninsula Community Library, Grand Traverse County, for the year ended June 30, 2007 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Library's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Library's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Peninsula Community Library taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

Organization and Function

The Peninsula Community Library is organized in accordance with State statutes. It serves residents of Peninsula Township. It is recognized as a public library by the State Library Board to which it submits annual reports. The Public Library is governed by a board elected by the Peninsula Township residents. The Board meets monthly.

The Library has numerous volumes available for loan to users. Users must be registered with the Library. No fines are assessed for overdue books, but follow-up procedures have been adopted and are enforced.

Revenues consist of an appropriation from the Traverse Area District Library, penal fines assessed by the County court, State aid, earned interest, donations, and other miscellaneous income.

Accounting Records and Procedures

In general, accounting records were maintained in very good order. Recorded revenues were deposited timely and intact. Bank accounts were reconciled on a monthly basis. Our testing disclosed that disbursements were supported by itemized invoices.

The Librarian maintains a receipts and disbursements journal which also reflects the balance in the bank at all times. Income and expenses are posted monthly from the journal to individual ledger accounts from which periodic and annual financial statements are prepared.

Board Minutes

Board minutes were maintained in good order and kept in a separate binder.

Budgets and Procedures

A budget for the General Operating Fund was prepared and amended as required by law.

Insurance and Surety Bond Coverage

Records indicate that the Library has such insurance coverage as fire and extended coverage for buildings, collections, and equipment, general liability and workmen's compensation. We were informed that coverage was reviewed during the audit year. The Treasurer and bookkeeper are each bonded for \$100,000.

After completion of our audit, we will mail the necessary copies of our report to the State Department of Treasury.

We appreciate the courtesy extended our field examiner in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITOR

To the Library Board
Peninsula Community Library
Grand Traverse County
Traverse City, Michigan 49686

We have audited the basic financial statements of Peninsula Community Library, Grand Traverse County, as of and for the year ended June 30, 2007, as listed in the table of contents. These basic financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of such funds of Peninsula Community Library, Grand Traverse County at June 30, 2007, and the results of operations in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the GASB. We have applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. The supplemental information has been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



TOBIN & CO., P.C.
Certified Public Accountants
November 28, 2007

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PENINSULA COMMUNITY LIBRARY MANAGEMENT DISCUSSION AND ANALYSIS

Relationship of Financial Statements

The basic financial statements contained herein include information that presents two different views of the Library using the modified-accrual and full accrual methods.

The individual fund balance sheet/statement of net assets and liabilities and the individual fund statement of revenue, expenditures and changes in fund balance include information about the Library's General Fund under the modified-accrual method.

The modified-accrual method focuses on current financial resources. The full-accrual method focuses on long-term economic resources and presents a statement of not only how services were financed in the short-term, but also what remains for future spending. Under the former system, capital outlay is an expense. Under the latter system, capital outlay is capitalized as an asset, resulting in a statement of more net profit.

Under the previous system of fund-based statements, the Library has traditionally accounted for compensated absences under Long Term Debt Transactions. Under GASB 34 requirements, these are now reflected under the statement of net assets.

Where appropriate, comparisons have been made to last year's expenditures.

The Library as a Whole

The Library's net assets increased by \$46,747 this year over the previous fiscal year. The Library's primary source of revenue is provided by the Traverse Area District Library through an associate library agreement with the District Library to provide library services to the people of Peninsula Township. Under the agreement, the District Library provides an amount not less than .3 mills of the State equalized valuation of taxable property within Peninsula Township to the Peninsula Community Library. This amount was approximately 73.7% of the year's revenue. This amount is about 7.9% higher than last year due to an increase in assessed property values. Other major sources of revenue include penal fines, State Aid and patron donations. Several restricted patron donations were made this year toward children's programming and the Library garden.

Salaries and related payroll liabilities account for the largest expense in the Library's budget, which equated to approximately 52.3% of total expenditures. This compares with 53% last year. Pension plans are offered to the Director and Assistant Director. Employer contributions amount to approximately 11% of covered payroll. Employee contributions were made for the year in the amount of \$700.00. Reimbursement for health insurance is offered to the Director up to \$2,400.00 or deferred compensation in the same amount in lieu of health insurance. The Assistant Director is offered reimbursement for health insurance on a pro-rated basis according to hours worked. For the 2006-2007 fiscal year, the Director chose deferred compensation.

The largest non-salary related expenditures are for collection expenditures on books, periodicals and audio-visual materials. These amount to approximately 15% of the budget, slightly more than they did in the 2005-2006 fiscal year.

The Library Funds

The Library uses a General Fund to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Library. Revenues, as noted, are derived mainly from property taxes and other intergovernmental revenues. Peninsula Township maintains a trust account for the Library and acts as the financial agent of the Library.

The Library's Budgetary Highlights

Over the course of the year, the Library Board of Trustees amended the General Fund's budget to address unplanned needs that occurred during the year. The General Fund amendments reflected the Library's move back into the recently renovated school where the Library has rented space since 1957. A major renovation to the building from June 2005 – August 2006 had necessitated the Library moving temporarily to a small market. While the Traverse City Area Public School District covered renovation costs to the public areas of the Library itself, Peninsula Community Library incurred costs in purchasing cabinets and office desks for its Library office and shelving for a new storage room. Volunteer labor was used for the move, with lunch being provided to volunteers and staff on moving days. "Activities" line item numbers were higher than originally budgeted due to a Welcome Back Open House co-sponsored by the Library and the School. "Supplies" were also higher due to the move and the necessity of refitting a new space.

Revenues were higher than budgeted due to donations, higher property tax assessments (up \$10,858.00 from the previous year), and higher than anticipated interest earnings.

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Capital Assets and Long Term Debt Activity

At the end of the fiscal year, the Library had \$383,355 invested in land, furniture, equipment, books, and audio-visual materials. The land is currently unimproved upon. Until May 15, 2005, the Library rented its space from Traverse City Area Public Schools. A temporary move to commercial space was precipitated by a renovation plan at the school. The Library moved back into the school in August 2006.

The Library's long-term debt activity consists of capped accumulated compensation employee absences (sick leave, vacation and personal days) for the Director and Assistant Director. When either of these employees terminates employment, they shall be paid one half of the cumulative sick time not to exceed 30 days. Compensatory and vacation time shall be used by the end of every calendar year with the exception that one week may be carried over into the following year. Compensated absences account for all of the fiscal year's long-term debt activity.

Next Year's Anticipated Budget Factors

The move back into Old Mission Peninsula School has re-established the Library's relationship with Traverse City Area Public Schools. Rent, at \$6,000.00 per year through 2009, including maintenance and utilities is considerably less than market value. Renovations complete, the Library Board of Trustees hopes to turn its efforts toward community programming and sponsorship of outreach programs to the area's Hispanic populations, as well as increasing the Library's audio-visual and book collections in response to public demand. As Traverse City Area Public Schools struggles with budget cuts, the Library's Board of Trustees anticipates stepping in to fill some of the library needs of students at Old Mission Peninsula School in areas where they are affected by the school district's budget cuts.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Victoria Shurly, Library Director, at 2735 Island View Road, Traverse City, MI 49686, phone (231) 223-7700.

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Peninsula Community Library Statement of Net Assets and Governmental Fund Balance Sheet June 30, 2007

	General Fund	Adjustments (Note 3)	Statement of Net Assets
<u>Assets</u>			
Cash	\$ 23,608	\$ -	\$ 23,608
Receivables	3,808	-	3,808
Due from Peninsula Township	340,657	-	340,657
Prepaid Expenses	1,692	-	1,692
Land	-	50,000	50,000
Other Capital Assets, Net of Accumulated Depreciation	<u>-</u>	<u>101,971</u>	<u>101,971</u>
Total Assets	<u>\$ 369,765</u>	<u>151,971</u>	<u>521,736</u>
<u>Liabilities</u>			
Compensated Absences – Current	\$ 658	-	658
Compensated Absences – Long-term	<u>-</u>	<u>1,844</u>	<u>1,844</u>
Total Liabilities	<u>658</u>	<u>1,844</u>	<u>2,502</u>
<u>Fund Balances/Net Assets</u>			
Fund Balance			
Unrestricted	<u>369,107</u>	<u>(369,107)</u>	<u>-</u>
Total Fund Balances	<u>369,107</u>	<u>(369,107)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 369,765</u>		
<u>Net Assets</u>			
Invested in Capital Assets		151,971	151,971
Unrestricted		<u>367,263</u>	<u>367,263</u>
Total Net Assets		<u>\$ 519,234</u>	<u>\$ 519,234</u>

See Accompanying Notes to Basic Financial Statements

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Peninsula Community Library Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balances For the Year Ended June 30, 2007

	General Fund	Adjustments (Note 4)	Statement of Activities
<u>Expenditures/Expenses:</u>			
Salaries and Wages	\$ 74,832	\$ 288	\$ 75,120
Life Insurance	285	-	285
Social Security/Medicare	5,741	-	5,741
Pension	5,768	-	5,768
Supplies	4,179	-	4,179
Books and Periodicals	19,629	(2,805)	16,824
Audiovisuals	5,177	(824)	4,353
Insurance	4,831	-	4,831
Audit Fees	6,287	-	6,287
Membership and Dues	2,484	-	2,484
Communications/Telephone	1,211	-	1,211
Mileage	303	-	303
Community Promotions	2,104	-	2,104
Activities	2,820	-	2,820
Repairs and Maintenance	700	-	700
Rent	8,000	-	8,000
Education and Training	23	-	23
Other	124	-	124
Capital Outlay	<u>21,251</u>	<u>(8,933)</u>	<u>12,318</u>
Total Expenditures/Expenses	<u>165,749</u>	<u>(12,274)</u>	<u>153,475</u>
<u>Program Revenues:</u>			
Charges for Services	1,159	-	1,159
Operating Grants and Contributions	182,928	-	<u>182,928</u>
Total Program Revenues			<u>184,087</u>
Net Program Revenues (Expenses)			30,612
<u>General Revenues:</u>			
Interest	15,598	-	15,598
Other	<u>537</u>	-	<u>537</u>
Excess Revenues (Expenditures)	34,473	(34,473)	
Change in Net Assets		46,747	46,747
<u>Fund Balance/Net Assets:</u>			
Beginning of the Year	<u>334,634</u>	<u>137,853</u>	<u>472,487</u>
End of the Year	<u>\$ 369,107</u>	<u>\$ 137,853</u>	<u>\$ 519,234</u>

See Accompanying Notes to Basic Financial Statements

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Peninsula Community Library Notes to Financial Statements June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Peninsula Community Library is located in Grand Traverse County and serves the residents of Peninsula Township.

The Library's basic financial statements include the accounts of all Library operations. The criteria for including organizations within the Library's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*", includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Library. Governmental activities are supported by taxes and intergovernmental revenues and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Other items not properly included among program revenues are reported instead as general revenues.

The financial activities of the Library are also reported in a separate self-balancing governmental fund described as follows:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Library. Revenues are derived primarily from penal fines, state aid, and local unit appropriations.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition of all Library Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

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Peninsula Community Library
Notes to Financial Statements
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets

The General Fund is under formal budgetary control. Budgets shown in the required supplementary schedule for this fund were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Library.

For budgetary purposes appropriations lapse at fiscal year end.

E. Capital Assets

Capital assets, which includes property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$200 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Leasehold Improvements	20 years
Furniture and Equipment	2-30 years
Collections	6 years

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at June 30, 2007.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended June 30, 2007, no line item exceeded its appropriation without formal budget amendment.

NOTE 3 - EXPLANATION OF CERTAIN ADJUSTMENTS BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS

Net capital assets of \$151,971 used in governmental activities are not financial resources and therefore are not reported in the fund.

Long-term liabilities (compensated absences of \$1,844) applicable to the Library's governmental activities are not due and payable in the current period and accordingly are not recorded as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net assets.

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Peninsula Community Library
Notes to Financial Statements
June 30, 2007

NOTE 4 - EXPLANATION OF CERTAIN ADJUSTMENTS BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE STATEMENT OF ACTIVITIES

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. Capital outlay for Library materials exceeded depreciation by \$3,629 for the year. Capital outlay for furniture, equipment and leasehold improvements exceeded depreciation and loss on disposal of assets by \$8,933 for the period.

Long-term compensated absence expenditures in the general fund required the use of \$288 of current financial resources less than those reported in the statement of activities.

NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Library, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits

The Library had \$37,199 deposited with a local financial institution at June 30, 2007 with a carrying value of \$23,608. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Library had no uninsured deposits at June 30, 2007.

NOTE 6 - DUE FROM PENINSULA TOWNSHIP

Peninsula Township maintains a trust account for the Library and acts as the financial agent of the Library. This trust account held \$340,657 of the Library monies as of June 30, 2007.

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Peninsula Community Library Notes to Financial Statements June 30, 2007

NOTE 7 - CAPITAL ASSETS

Capital assets of governmental activities consisted of the following:

	Balance 6/30/06	Additions	Deletions	Balance 6/30/07
Assets Not Being Depreciated:				
Land	\$ 50,000	\$ -	\$ -	\$ 50,000
Other Capital Assets:				
Leasehold Improvements	\$ -	\$ 4,123	\$ -	\$ 4,123
Collection	259,607	22,806	12,352	270,061
Furniture and Equipment	57,435	16,634	14,898	59,171
Total	317,042	43,563	27,250	333,355
Accumulated Depreciation	(227,632)	(24,020)	(20,268)	(231,384)
Net Other Capital Assets	\$ 89,410	\$ 19,543	\$ 6,982	\$ 101,971

NOTE 8 - INVENTORIES

Peninsula Community Library does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

NOTE 9 - INTERGOVERNMENTAL REVENUE

Traverse Area District Library provides an amount not less than .3 mills of the State equalized valuation of taxable property within Peninsula Township to Peninsula Community Library. Peninsula Community Library entered into an associate library agreement with the District Library to provide enhanced library services. Revenue for the twelve months ended June 30, 2007 was \$147,499.

NOTE 10 - PENSION PLAN

The Library participates in Peninsula Township's defined contribution (money purchase) pension plan through John Hancock Life Insurance Company. The plan covers substantially all employees with the exception of seasonal employees. The amount of covered payroll for the Library for the year ended June 30, 2007 was \$47,072. Total payroll for the year ended June 30, 2007 was \$75,053. Employer contributions are based upon a percentage of annual payroll. Employees may make additional contributions if they so desire. Employees are vested 100% in employer contributions after 20 months of service.

The Library fully funded its required contribution for the year ended June 30, 2007. Current year employer contributions amounted to \$5,348, or 11% of the covered payroll. There were \$700 of employee contributions this year.

None of the plan's assets are invested in the Township securities or those of related parties. There are no loans from the plan to the Township.

NOTE 11 - CONTINGENT LIABILITIES

There are no known contingent liabilities of the Library.

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Peninsula Community Library Notes to Financial Statements June 30, 2007

NOTE 12- LEASES

The Library has entered into a lease agreement with Traverse City Area Public Schools for the use of a portion of the Old Mission Peninsula School to be used as an operating location for the Library. Annual rental charges of \$6,000 is payable on or before February 20th of each school year. The agreement is effective July 1, 2006 through June 30, 2009 unless written notice of a request to review the agreement is given by either party to the other party by March 15th of each year the contract is in effect.

Through August 31, 2006, the Library leased temporary operating facility from Cutler's Peninsula Grocery for \$1,000 per month. The lease term was for a twelve month period ending on May 31, 2006 with monthly extensions available through November 30, 2006. Total rental expense for the 2006-2007 fiscal year amounted to \$8,000.

NOTE 13- COMPENSATED ABSENCES

Employees may use their accumulated compensated absences for vacation, illness, or personal days off. An employee who terminates services will be paid one-half of the cumulative sick time not to exceed 30 days. Compensatory and vacation time shall be used by the end of every fiscal year with the exception that five days may be carried into the following year.

NOTE 14- RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Library addressed these risks through the purchase of commercial insurance through the Michigan Municipal League. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

NOTE 15- TRUST FUNDS

The Peninsula Community Library is the beneficiary of a fund established at the Grand Traverse Regional Community Foundation. No amounts were transferred to the fund by the Library during the year ended June 30, 2007. No income was received from this fund during the year. Total assets in the fund at June 30, 2007 amounted to \$73,296 of which \$23,239 is available for distribution upon recommendation of a fund advisory board, subject to a variance power held by the Foundation. \$45,057 is held in a permanent endowment fund and is not available for distribution. The assets held in the fund, which belong to the Community Foundation, are not recorded in the financial statements of the Peninsula Community Library. They are subject to a variance power held by the Foundation which allows the Foundation, in its sole discretion, to change the beneficiary or withhold amounts from distribution.

NOTE 16- DEFERRED COMPENSATION PLAN

The Library offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by Nationwide Retirement Solutions. The plan, available to all Library employees, permits them to defer a portion of their salary until future years.

All amounts of compensation deferred, all property and rights purchased, and all income, property, or rights are (until paid or made available to the employee or other beneficiary) held in trust for the exclusive benefit of the participants and their beneficiaries.

NOTE 17- LONG TERM DEBT

Summary of long-term debt transactions:	Balance 6/30/06	Increases	Balance 6/30/07
Compensated absences	\$ 1,556	\$ 288	\$ 1,844

SUPPLEMENTAL DATA SECTION

Tobin & Co.

Peninsula Community Library
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2007

Schedule 1
Page 1

<u>Revenues</u>	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Contributions from Local Units:				
District Library	\$ 147,662	\$ 147,662	\$ 147,499	\$ (163)
Penal Fines – Grand Traverse County	20,000	20,000	21,722	1,722
State Grants:				
State Aid	3,700	3,700	4,088	388
Charges for Services:				
Fees	1,100	1,100	1,159	59
Interest and Rent:				
Interest	4,500	4,500	15,598	11,098
Other:				
Donations	5,000	9,900	9,619	(281)
Sale of Capital Assets	-	-	521	521
Miscellaneous	25	25	16	(9)
Total Revenues	<u>181,987</u>	<u>186,887</u>	<u>200,222</u>	<u>13,335</u>
<u>Expenditures</u>				
Salaries and Wages	82,000	82,000	74,832	7,168
Life Insurance	100	300	285	15
Social Security/Medicare	6,273	6,273	5,741	532
Pension	7,300	7,300	5,768	1,532
Supplies	3,000	4,200	4,179	21
Books and Periodicals	20,000	20,000	19,629	371
Audiovisuals	5,000	5,200	5,177	23
Insurance	5,900	5,900	4,831	1,069
Legal	1,000	1,000	-	1,000
Audit Fees	6,200	6,300	6,287	13
Memberships and Dues	2,200	2,500	2,484	16
Communications/Telephone	1,500	1,500	1,211	289
Mileage	600	600	303	297
Community Promotions	3,000	3,000	2,104	896
Activities	2,000	2,900	2,820	80
Repairs and Maintenance	1,800	1,800	700	1,100
Rent	6,500	8,000	8,000	-
Education and Training	1,300	1,300	23	1,277
Other	1,500	1,500	124	1,376
Capital Outlay	2,000	21,300	21,251	49
Contingency	3,000	3,000	-	3,000
Total Expenditures	<u>162,173</u>	<u>185,873</u>	<u>165,749</u>	<u>20,124</u>
Excess Revenue	<u>\$ 19,814</u>	<u>\$ 1,014</u>	34,473	<u>\$ 33,459</u>
Fund Balance – Beginning of Year			<u>334,634</u>	
Fund Balance – End of Year			<u>\$ 369,107</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.